

NASA OIG Review

May 2000
Vol 2, No. 1



NASA OIG Review is distributed to Congress, NASA, and other government agencies to provide information about the reports and activities of the NASA Office of Inspector General



Key Reports

SPACE STATION CONTRACT

The International Space Station is now under assembly in orbit around the Earth. At the request of the NASA Administrator, we examined recent cost growth on the space station's prime contract with The Boeing Company, and produced a report, *Review of Performance Management of the International Space Station Contract (IG-00-007)*.



Completed International Space Station

We found that Boeing reported unrealistically low estimates of projected cost overruns and presented the cost data to indicate that no additional cost overrun would occur. Although the Space Station Program Office had evidence of cost overruns and schedule slips, it did not refute Boeing's estimate. As a result, Boeing received unearned incentive fees totaling \$16 million, which NASA later recouped.

In addition, we found NASA will be charged an estimated \$35 million in costs resulting from Boeing's reorganization. Until Boeing's proposals for new pricing and billing rates are negotiated, NASA is paying the proposed rates, which may be higher than appropriate.

We made the following recommendations to strengthen ISS performance management and minimize the cost

impact of Boeing's reorganization:

- require Boeing to routinely report known risks in its cost estimates,
- assure risk mitigation plans are in place for all known risks,
- expedite Boeing's cost overrun proposal, and
- monitor Boeing's reorganization costs.

Management concurred or partially concurred with all the recommendations.

COMPUTER SECURITY AUDITS



Many NASA computer systems use the UNIX operating system, which is a favorite target of hackers. The OIG recently completed audits of two of NASA's UNIX operating systems. Both reports (*IG-00-014* and *IG-00-024*) identified several

weaknesses in those systems. In the first report, we recommended that NASA improve password security, secure logs that identify unauthorized activity, protect critical systems files, ensure accounts are closed for users who have left the organization, and implement proactive security monitoring. In the second report, we found that management did not have an adequate information technology security program. We recommended that management improve personnel screening, the process for granting access to computer systems, password security, and protection of critical files; establish policies for privileged operations and system backups; and implement proactive security monitoring.

NASA OIG HOTLINE

Contact the NASA OIG Hotline to report crime, fraud, waste, abuse or mismanagement in NASA programs

1-800-424-9183

<http://www.hq.nasa.gov/office/oig/hq/hotline.html>

Top 10 Issues Procurement

The NASA Office of Inspector General tracks ten issues we consider to be the most serious management challenges for NASA. One of these ten challenges is procurement.

NASA's procurement obligations accounted for over 87 percent of the Agency's total obligations in fiscal year (FY) 1998, just as they have for the last 5 years. NASA procures over \$12.5 billion in goods and services annually. In January 1999, the GAO identified NASA contract management as a major management challenge and program risk. The GAO stated, in part, that NASA lacks adequate systems and processes to oversee procurement activities and to produce accurate and reliable management information in a timely manner. NASA's procurement workload, combined with the significant reductions in procurement personnel, continues to challenge the remaining staff's ability to adequately administer contracts and implement new procurement initiatives.



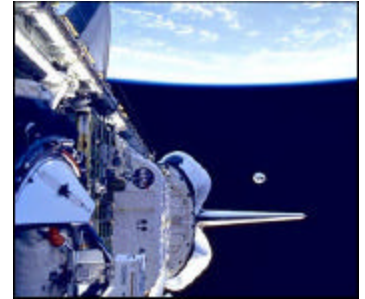
NASA Inspector General Roberta Gross addresses the NASA Procurement 2000 Conference

The OIG staff includes three former NASA contracting officials as well as numerous auditors and criminal investigators familiar with procurement issues. Recent and ongoing OIG procurement reviews have focused on areas such as leasing, noncompetitive procurements, subcontract management, use of contractors for on-site support, and electronic commerce. Procurement-related criminal investigations have resulted in multiple convictions for contractor premature billing schemes, kickbacks involving subcontractors, false testing and certification of components, improper marking of components, and loss of Government-owned-contractor-held equipment.

Ongoing Reviews

SPACE SHUTTLE PAYLOADS

We are evaluating the effectiveness of NASA policies, procedures, and practices for assigning payloads to the Space Shuttle. We will determine whether NASA appropriately defines and assigns primary and secondary payloads for the Space Shuttle, adequately justifies use of the Space Shuttle rather than commercial launch vehicles, and appropriately charges other agencies and organizations for Space Shuttle payload services.



The Space Shuttle Payload Bay

X-37 PROJECT MANAGEMENT

The X-37 is a technology demonstrator vehicle being developed by NASA and Boeing. When built, the X-37 could be ferried into orbit by the Space Shuttle or an expendable launch vehicle, and will operate at speeds up to 25 times the speed of sound. Our audit is assessing the technology requirements of the X-37; how those technology requirements are integrated with next-generation Reusable Launch Vehicle requirements; X-37 cost, schedule and technical performance reporting; and NASA's oversight of work accomplished under the X-37 cooperative agreement.



The X-37

RUSSIAN RESEARCH FUNDING

We are reviewing NASA's funding of Russian research in the 1994-1997 time frame. Newspaper articles have alleged that some of this funding may have been diverted to former Russian biological warfare institutes. Our review is examining the program's contract, financial management, scientific results, and internal controls.

More New Reports!

EXPORT CONTROL

NASA's international activities often involve the transfer of commodities, software, or technologies to foreign partners by contractors. These transfers are generally subject to export control laws and regulations.

Our audit of *NASA Oversight of Contractor Exports of Controlled Technologies (IG-00-018)* found that NASA export, program, and contracting personnel at three NASA Centers could not readily identify the types and amounts of NASA-funded controlled technologies that contractors export in support of NASA programs. Consequently, NASA does not have assurance that contractors are exporting controlled technologies in accordance with applicable U.S. export laws.

We recommended that NASA require contractors to provide (1) a plan for obtaining any required export licenses to fulfill contract requirement, (2) a listing of contractor licenses obtained, and (3) a periodic report of exports effected against those licenses. We also recommended that NASA revise policies to incorporate oversight responsibilities related to export licenses obtained in behalf of a NASA program.

SPACE FLIGHT OPERATIONS CONTRACT

In 1996, the United Space Alliance (USA) became the prime contractor responsible for Space Shuttle operations. NASA signed a six-year Space Flight Operations Contract (SFOC) with USA that gradually consolidated existing contracts into the new prime contract. The contract's current value is approximately \$8.6 billion and NASA plans to incorporate approximately \$10 billion of additional contracts into the SFOC in the next two years.

In our audit of "Space Flight Operations Contract Phase II: Cost-Benefit Analysis" (*IG-00-015*), we found that NASA had not performed a cost-benefit analysis prior to consolidating contracts into the SFOC, and the Agency cannot be certain that the planned consolidation of an additional \$10 billion of contracts will result in net savings to the government. We recommended that NASA perform a cost-benefit analysis before further consolidation of Space Shuttle contracts into the SFOC. Management concurred with this recommendation.

Congressional Inquiries

The NASA Office of Inspector General receives inquiries about NASA activities from members of Congress. Some inquiries receive direct responses; while others result in the initiation of OIG assessments. Recent responses to Congressional inquiries include:

- Letter to Hon. F. James Sensenbrenner, re: OIG Review of NASA's Decision to Reject NASA Watch's Application for Press Accreditation (February 4, 2000).
- Letter to Hon. George R. Nethercutt, Jr., re: NASA's Compliance With Language in Conference Report 106-379 Concerning the Triana Project (December 22, 1999).
- Safety Concerns with Kennedy Space Center's Payload Ground Operations Contract (*Report IG-00-028*)

Current reviews underway in response to Congressional inquiries include investigations related to the failure of the Mars Polar Lander, the purchase of an aircraft as a Space Station crew medical transport, and the contracting of NASA's Sun-Earth Connection Program.

EVEN MORE NEW REPORTS

- Russian Space Agency Payments (*Report IG-00-006*)
- Spare Parts Quality Assurance for the Space Shuttle (*Report IG-00-011*)
- General Controls at the Mission Control Center, Johnson Space Center (*Report IG-00-017*)
- Performance Data to be Reported Under the Government Results Act (*Report IG-00-020*)
- X-34 Technology Demonstrator, (*Report IG-00-029*)
- Compliance with the National Environmental Policy Act (*Report IG-00-030*)
- Headquarters Hard Drive Laptop Loaner Pool (*Report G-00-008*)

MANAGEMENT ALERTS

The NASA OIG issues management alerts, rather than full-scale reports, when we find problems that require immediate attention. Recently, we alerted management to problems with access to shared files, staffing of computer network operations centers, embezzlement of funds at NASA Employee Morale Associations, and the transfer of excess research equipment to schools.

Investigations

The OIG's investigative program conducts criminal and regulatory investigations in which NASA is a victim. Recent investigations led to the following:

\$38 MILLION RECOVERED FROM CONTRACTOR



On March 1, 2000, Jacobs Engineering Group, a NASA contractor located in Pasadena, California, settled a whistleblower lawsuit alleging that Jacobs overcharged NASA, the

Departments of the Air Force, Army, and Navy, the Environmental Protection Agency, and the Department of Energy. The lawsuit alleged that Jacobs sold its corporate headquarters building in Pasadena, California, entered into a 15-year lease of the property at rates substantially higher than what the firm paid to own the property, and improperly passed along the higher rental costs to the government.

Jacobs denied any wrongdoing in the method it used to account for the sale-leaseback costs, but agreed to settle the lawsuit for \$38,000,000, to avoid the cost and risk of further litigation. A former employee originally filed the lawsuit under the *qui tam* provisions of the False Claims Act in July 1997 and will receive a portion of the settlement.

HACKERS BUSTED

The Computer Crimes Division of the NASA Office of Inspector General continues to prosecute hackers who break into NASA computer systems. On January 28, 2000, a juvenile was sentenced to three years probation and ordered to pay \$20,000 in restitution for illegally accessing and damaging NASA computer systems. On February 23, 2000, another hacker was charged on three-counts related to his intrusions into NASA and other computer systems. The three counts combined carry a maximum penalty of 10 years incarceration and a potential fine of up to \$250,000.

\$415,000 RECOVERED FROM CONTRACTOR

On March 30, 2000, ManTech International Corporation of Fairfax, VA, entered into a civil settlement agreement with the government for compensation and costs associated with ManTech's billing practices. ManTech allegedly billed the government for subcontractor costs when, at the time of the invoices, its subcontractors had not been paid. The agreement requires ManTech to pay \$415,000 for compensation related to the interest lost by the Government as a result of ManTech's alleged premature billings and the cost of the investigation.

"SOLAR SUNRISE" CASE

In 1997, individuals from the United States and Israel compromised thousands of U.S. government, military, and commercial computer systems. The OIG's Computer Crimes Division (CCD) is currently working

a joint investigation of these intrusions with the FBI and the Air Force Office of Special Investigations (AFOSI). The case has been given the name "Solar Sunrise."



The Department of Justice informed CCD when the FBI and AFOSI were about to act against two of the U.S. suspects. CCD then alerted the investigative agencies that, due to its own investigative efforts of attacks on NASA computer systems, CCD suspected it knew the identity of the main Israeli subject, known as Analyzer. NASA, FBI, and AFOSI investigators then traveled to Israel to interview the suspects and image the electronic evidence for analysis.

CCD personnel will travel to Israel in June 2000 to testify in the ongoing Israeli trial of five Israeli Nationals alleged to have participated in the attacks. Three U.S. suspects are also being prosecuted (within the United States) regarding these allegations.

Acquiring OIG Reports

Most reports are posted on the web at www.hq.nasa.gov/office/oig/hq/reports.html
Printed reports can be requested by calling (202) 358-1220